# Modeling growth rate

FINANCIAL MODELING

LECTURE SUMMARY

## Covered in this lecture:

### How to model growth rate

- **The easy way:**

  Have growth rate as an assumption in the model (for example, growing 5% a week), and this assumption could be made to change over time

- Downside: the numbers could vary wildly depending on which growth rate you use
- In real life, you don't get to choose your growth rate, it's an outcome

- **The better way:**

  Make growth rate the outcome

- First decide what is the metric that measures success or failure for your business and then think about what would be a great and achievable milestone for you to reach
- Work backwards to derive your needed growth rate in order to achieve that target

*See you next lecture!*